



Technovator International Limited  
(incorporated in Singapore with limited liability)

**Stock Code: 1206**

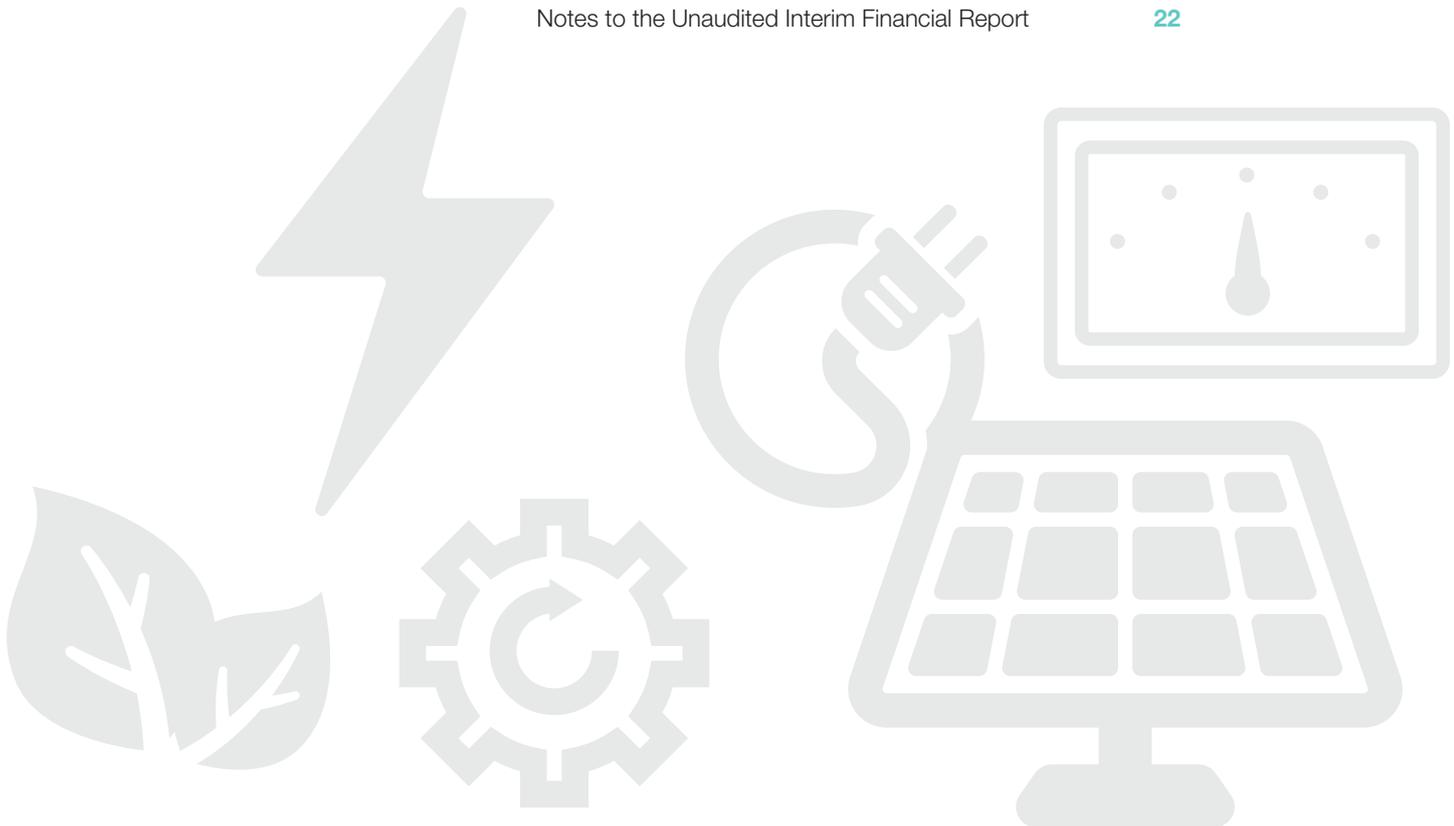
# **A LEADING SMART ENERGY SAVING SERVICES PROVIDER**

Interim Report **2020**



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# CORPORATE INFORMATION

## BOARD OF DIRECTORS

### Executive Directors

Mr. Zhao Xiaobo (趙曉波)  
Mr. Qin Xuzhong (秦緒忠) (*Chairman*)

### Non-executive Directors

Mr. Liu Tianmin (劉天民)  
Mr. Wang Yinghu (王映澣)  
Mr. Huang Yu (黃俞) (resigned on 9 January 2020)

### Independent Non-executive Directors

Ms. Chen Hua (陳華)  
Mr. Chia Yew Boon (謝有文)  
Mr. Fan Ren Da Anthony (范仁達)

## BOARD COMMITTEES

### Audit Committee

Ms. Chen Hua (*Chairman*)  
Mr. Chia Yew Boon  
Mr. Fan Ren Da Anthony

### Nomination Committee

Mr. Chia Yew Boon (*Chairman*)  
Mr. Fan Ren Da Anthony  
Mr. Huang Yu (resigned on 9 January 2020)  
Mr. Qin Xuzhong (member since 26 March 2020)

### Remuneration Committee

Mr. Chia Yew Boon  
Mr. Fan Ren Da Anthony (*Chairman*)  
Mr. Huang Yu (resigned on 9 January 2020)  
Mr. Qin Xuzhong (member since 26 March 2020)

## Risk Management Committee

Mr. Zhao Xiaobo  
Ms. Chen Hua  
Mr. Chia Yew Boon  
Mr. Fan Ren Da Anthony (*Chairman*)  
Mr. Liu Tianmin  
Mr. Wang Yinghu  
Mr. Huang Yu (resigned on 9 January 2020)  
Mr. Qin Xuzhong

## JOINT COMPANY SECRETARIES

Mr. Leung Lok Wai  
Ms. Cheok Hui Yee (appointed on 23 January 2020)

## AUTHORISED REPRESENTATIVES

Mr. Zhao Xiaobo  
Mr. Qin Xuzhong

## REGISTERED OFFICE

66 Tannery Lane  
#04-10/A  
Sindo Industrial Building  
Singapore 347805

## HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN SINGAPORE

66 Tannery Lane  
#04-10/10A  
Sindo Industrial Building  
Singapore 347805

## PRINCIPAL PLACE OF BUSINESS IN HONG KONG

15th Floor  
Allied Kajima Building  
138 Gloucester Road  
Wanchai, Hong Kong

## LEGAL ADVISER AS TO HONG KONG LAWS

Luk & Partners  
in Association with Morgan, Lewis & Bockius

## AUDITORS

KPMG  
KPMG LLP

## SINGAPORE PRINCIPAL SHARE REGISTRAR

Tricor Barbinder Share Registration Services  
80 Robinson Road #02-00  
Singapore 068898

## HONG KONG SHARE REGISTRAR

Tricor Investor Services Limited  
Level 54, Hopewell Centre  
183 Queen's Road East  
Hong Kong

## COMPANY WEBSITE

[www.technovator.com.sg](http://www.technovator.com.sg)

## PRINCIPAL BANKERS

DBS Bank  
Standard Chartered Bank  
The Hong Kong and Shanghai Banking Corporation Limited  
Agriculture Bank of China  
Bank of Beijing  
Bank of China  
China CITIC Bank  
China Construction Bank  
China Merchant Bank  
Huaxia Bank

## INVESTOR RELATIONS CONTACT

### Beijing office

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### Hong Kong and Singapore office

Tel: +852 2736 8180  
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Email: [info@technovator.com.sg](mailto:info@technovator.com.sg)

# MANAGEMENT DISCUSSION AND ANALYSIS

## GENERAL

In 1H2020, China and the world were under fierce challenge from the Coronavirus pandemic (“COVID-19”). Under the complicated and changing domestic and international economic and social environment caused by COVID-19, the Group’s businesses were affected to varying degrees. The Group recorded revenue of approximately RMB624.8 million for the first half of the year, representing a year-on-year decrease of 6.2%, and profit for the period was approximately RMB11.8 million, representing a year-on-year decrease of 69.1%.

In the face of COVID-19, the Group actively implemented the policy requirements of local governments for the pandemic prevention and control. By placing the prevention and control of the pandemic and the protection of the health of all employees as our top priority, and at the same time putting the safeguard of the interests of our customers and the progress of our projects as our target, the Group has pressed forward for the resumption of work and production in order to minimize the negative impact of the pandemic on the progress of the Group’s existing projects and future business development.

## BUSINESS REVIEW

### Smart Transportation Business

Due to the negative impact caused by COVID-19, the bidding process of a number of new intelligent subway projects were postponed, and the construction period of projects under construction were extended. The revenue of the smart transportation business of the Group declined in the first half of the year. However, due to the accelerated promotion and application of the proprietary core software control platform, the profit margin of the segment experienced an increase.

In order to mitigate the impact of COVID-19 on the business of the segment, the resumption of work has commenced in February for several projects under construction in the smart transportation segment. To date, all projects under construction were able to carry forward in accordance with the schedule required by the owners. In the first half of the year, Jinan Urban Rail Transit Line R2, Xi’an Subway Line 5, Hangzhou Subway Line 7, Xuzhou Urban Rail Transit Line 3 and other projects had overcome various unfavorable factors and achieved smooth progress and good receipt of payment.

In response to the “Program of Building National Strength in Transportation” (《交通強國建設綱要》) issued by the Chinese government in 2019, and to further improve the safety and efficiency of urban rail transit operations, the smart transportation segment has simultaneously carried out the development and implementation of the “Intelligent Station” concept, which is based on the implementation of the Xi’an Subway Line 5 and Chongqing Urban Rail Transit Line 6 projects. The “Intelligent Station” concept is closely integrated with the operation and maintenance needs of subway stations, appropriately added hardware and software equipment and processed and comprehensively reused various types of data, and helped establish a scene-oriented, intelligent and humanized smart station integrated operation and management platform to provide more comprehensive and intelligent butler-style integrated application for subway stations.

### Smart Building and Complex Business

The Smart Building and Complex Business of the Group has strived to safeguard the progress of existing projects, and at the same time overcome unfavorable factors to develop new projects during the pandemic by leveraging on its good project accumulation in previous periods, resulting in an increase in revenue and profits for the segment in the first half of the year.

A number of key national projects and landmark projects of the segment progressed smoothly during the first half of the year, including Chengdu Tianfu international airport's integrated pipeline project, Beijing new airport's integrated pipeline project, the intelligent project for Zhuhai Hengqin Port and integrated transportation hub, the Silk Road Economic Belt in Xixian New District, and the headquarters intelligent project of Asia Infrastructure Investment Bank. Meanwhile, the segment has committed to the promotion of the integration between proprietary building control products and engineering projects. During the period, the Techcon series building control products have been successfully used in several projects such as the integrated pipeline projects in Beijing new airport and Tongzhou, which significantly improved the profit margins of engineering projects.

Following the launch of Techcon Neosys, a next-generation IoT controller, at the end of 2019, the product also obtained the European Union CE certification during the period, which signified that the product's research and development technology, process design, internal production and product inspection all met international leading standards, meaning that the internationalization of the Group's products have made a firm step forward. In addition, the segment has launched the "Kunlun Digital Platform" plan during the period. The plan aims to achieve the integration and overall planning between smart building technology and energy conservation application, which has been piloted in building projects and is expected to be used in various areas such as building, transportation and heating network in the future.

### Smart Energy Business

The smart energy segment was more negatively affected by COVID-19 in the first half of the year, where a number of engineering projects have been postponed while tender of new projects was delayed, resulting in a decline in segment revenue during the period. Meanwhile, due to the impact of the pandemic, the implementation of operation and maintenance projects were hindered, which led to a significant decrease in profit margin for the segment.

During the period, various projects relating to absorption heat pumps for substantial temperature differentials have been signed or smoothly carried forward, including Taiyuan Heating Project (太原熱力項目), Tai'an Kaiyuan Heating Project (泰安開元熱力工程), Shenyang Railway Administration Project (瀋陽鐵路局項目) and Jinzhou Petrochemical Corporation Project (錦州石化公司項目), while self-developed hardware products have seen rapid promotion and application in heat supply network in various cities. In addition, a number of existing energy management contract (EMC) projects in the segment were settled on schedule. During the period, the segment continued to expand its business model by signing a new contract for the Energy Trust Operation and Maintenance Project of Peking University Resource Innovation and Entrepreneurship Park (北大資源雙創園能源托管運維項目) to provide a driving force for the sustainable development for the segment.

In a bid to conform to the rapid integration of new technology with livelihood construction, the Group continuously improved the operation and maintenance efficiency in urban centralized heating. In the first half of the year, the segment commenced the research and development on the reconstruction of the centralized heating network related software, and at the same time embarked on developing the Smart Heating Information Management System V4.0. Both systems will combine the latest big data and AI technology, with an aim to comprehensively improve the intelligent management and control over urban centralized heating by using high-tech measures.

## Management Discussion and Analysis (Continued)

## OUTLOOK

With the increasingly positive trend in the domestic pandemic prevention and control, the resumption of work and production across the nation has been accelerated. The management of the Group believes that the overall domestic economic situation will gradually recover in the second half of the year, with improvement in the overall market conditions for each segment of the Group.

In 2020, it was accentuated in the PRC's Report on the Work of the Government (中國政府工作報告) that the PRC will step up the construction of new types of infrastructure. In recent years, Technovator has, in fields such as urban rail transit, building and energy, provided its services in the construction of new types of infrastructure including urban integrated pipeline, data center, urban subway and heating network. The Group continued to integrate the latest technology into our projects to realize the implementation of technology in major research projects, and at the same time assisted in the acceleration of the development of "New Infrastructure". We believe that leveraging on the continuous improvement in the Group's technology innovation capabilities, the business of the Group driven by "New Infrastructure" will push forward under the difficult conditions, injecting momentum into the accelerating recovery and development of cities and communities, as well as contributing to the construction of future green smart cities.

## FINANCIAL REVIEW – CONTINUING OPERATIONS

### Revenue

Under the impact of COVID-19, industries had been affected to different extent as global economy declined. The Group recorded a net revenue of approximately RMB624.8 million in 1H2020, representing a year-on-year decrease of 6.2%. Affected by COVID-19, the slowdown of the economy had resulted in a certain degree of impact on different business segments of the Group. Benefiting from the accumulation of project resources and fully committing to the resumption of work, the smart transportation segment experienced less impact with a slight decrease in revenue. During the pandemic, as the Group had endeavored to ensure the construction progress of key national projects, the revenue of the smart building and complex segment maintained strong momentum and growth amidst challenges. The pandemic has had more impact on our operation and maintenance projects, as the overall revenue of the smart energy segment shrank noticeably.

### Revenue by business segments

The table below sets forth the Group's revenue by business segments for the years indicated.

	For the six months ended 30 June				
	2020		2019		Comparison
	Revenue (RMB'000) (Unaudited)	% of revenue	Revenue (RMB'000) (Unaudited)	% of revenue	
Smart transportation	194,361	31%	230,643	35%	-15.7%
Smart building and complex	328,037	53%	279,881	42%	17.2%
Smart energy	102,442	16%	155,359	23%	-34.1%
Total	624,840	100%	665,883	100%	-6.2%

**Smart transportation**

Smart transportation segment recorded a revenue of approximately RMB194.4 million in 1H2020, representing a decrease of 15.7% from approximately RMB230.6 million in 1H2019. Affected by COVID-19, construction for a large number of projects under the segment have been delayed, and the settlement progress was slower than expected. Benefiting from project resource reserves and by fully committing to the resumption of work, the negative impact of the pandemic on the smart transportation segment has been mitigated to a certain extent. Integrated supervision project for the Jinan Urban Rail Transit Line R2 Phase I, integrated supervision project for the Xi'an Subway Line 5 Phase I & II, and the operation management and command center project for the Qingdao Subway Network (青島地鐵綫網運營管理與指揮中心項目) have made certain progress during the period, and recorded revenue for the segment.

**Smart building and complex**

Revenue from the smart building and complex segment recorded an increase of 17.2% from approximately RMB279.9 million in 1H2019 to approximately RMB328.0 million in 1H2020. Smart utility tunnel business promoted under the segment in the prior period experienced limited impact from the pandemic due to its own feature of "quick implementation and high integration". Smart utility tunnel projects such as the municipal transportation ancillary project of the Airport Economic Area of Beijing New Airport, Chengdu Tianfu International Airport proceeded smoothly during the period, and generated revenue for the segment. In addition, as some projects under the smart building segment are key national large-scale infrastructure projects, the Company made every effort to facilitate the project progress subject to the premise of first ensuring safety in terms of preventing and controlling the spread of the pandemic. These projects were settled as scheduled, and segment revenue achieved strong momentum and growth amidst challenges.

**Smart energy**

Revenue from the smart energy segment decreased from approximately RMB155.4 million for 1H2019 to approximately RMB102.4 million for 1H2020. The decrease in revenue from the smart energy segment was mainly due to hindrance in the implementation of operation and maintenance projects, a slowdown in settlement and a corresponding significant decrease in revenue for the period under the influence of the pandemic. During the period, the Group actively promoted the progress of EMC projects such as Shenmu Heat Network (神木智慧熱網), Shandong Binzhou Xincheng Central Heating (山東濱州鑫誠熱力集中供熱) and Fushun Mining while implementing effective control measures against the pandemic, contributing revenue to the segment. The newly signed Zhumadian Central Heating Project (駐馬店市集中供暖項目) and the Heat Supply Project of Zhongyuan Oilfield Headquarters Base (中原油田總部基地供熱項目) also made certain progress to mitigate the impact of the pandemic on the segment, and laid a foundation for the business development of segments such as the smart energy segment after the pandemic.

**Cost of sales**

Cost of sales decreased by approximately 6.3% from approximately RMB513.6 million for 1H2019 to approximately RMB481.2 million for 1H2020, which was due to the decrease in cost driven by the decrease in revenue scale.

**Gross profit**

Gross profit decreased by 5.6% from approximately RMB152.2 million for 1H2019 to approximately RMB143.6 million for 1H2020. In a market environment heavily hit by the pandemic, the Company stabilised its profit margin of projects through a guarantee on construction quality, generating a gross profit margin for the period of approximately 23.0%, which remained flat as compared to the corresponding period last year.

## Management Discussion and Analysis (Continued)

**Other revenue**

Other revenue decreased by approximately 12.5% from approximately RMB27.2 million for 1H2019 to approximately RMB23.8 million for 1H2020, which was mainly due to the decrease in interest income from EMC and government subsidies during the period.

**Other net (loss)/gain**

Other net (loss)/gain changed from the net gain of approximately RMB1.0 million for 1H2019 to the net loss of approximately RMB0.7 million during the period. This was mainly attributable to the exchange loss of approximately RMB1.2 million from foreign currencies held by the Group during the period as compared to the exchange gains of RMB1.0 million for the corresponding period of last year.

**Selling and distribution costs**

Selling and distribution costs of the Group for 1H2020 was approximately RMB47.8 million, representing a year-on-year increase of 2.5% as compared to approximately RMB46.6 million for 1H2019. Selling and distribution costs as a percentage of revenue for the period was 7.7%, representing a slight increase as compared to the corresponding period last year.

**Administrative and other operating expenses**

Administrative and other operating expenses increased by 11.4% from approximately RMB87.4 million for 1H2019 to approximately RMB97.4 million for 1H2020. The Group increased provision for impairment loss of approximately RMB10.8 million on aged receivables in response to the market environment mainly under the impact of the pandemic.

**Finance costs**

Finance costs of the Group for 1H2020 were approximately RMB8.1 million, representing an increase as compared to approximately RMB6.9 million for 1H2019. This was mainly due to loan of approximately RMB133.8 million due for repayment concentrated at the end of the period, which was not provided for in the loan balance at the end of the period, but was reflected in the corresponding finance costs of RMB3.4 million during the period.

**Income tax**

Income tax decreased by approximately 30.7% from approximately RMB2.4 million for 1H2019 to approximately RMB1.6 million for 1H2020, mainly driven by the decrease in profit before taxation.

**Profit for the period**

Profit for the period decreased by approximately 69.1% from approximately RMB38.1 million for 1H2019 to approximately RMB11.8 million for 1H2020. Net profit margin for the period decreased by approximately 3.8 percentage points from 5.7% to approximately 1.9%. The decrease in profit and net profit margin for the period was due to the combined effect of the decrease in revenue and the increase in impairment losses under the impact of the pandemic.

The basic earnings per share from continuing operations of the Group dropped by 66.9 percentage points year-on-year to RMB0.0164 (1H2019: RMB0.0495). The diluted earnings per share decreased by 66.9 percentage points to RMB0.0164 (1H2019: RMB0.0495).

## Working capital and financial resources

The following table sets forth the Group's current assets and liabilities as at the dates indicated:

	<b>As at 30 June 2020 (RMB'000)</b>	As at 31 December 2019 (RMB'000)	As at 30 June 2019 (RMB'000)
Inventories	<b>1,023,791</b>	901,725	876,117
Trade and other receivables	<b>1,303,284</b>	1,342,333	1,329,915
Trade and other payables	<b>1,556,986</b>	1,723,068	1,418,018
Average inventories turnover days	<b>277</b>	174	229
Average trade receivables turnover days <sup>Note</sup>	<b>312</b>	218	295
Average trade payables turnover days <sup>Note</sup>	<b>490</b>	338	415

Note: The calculation of turnover days excluded other receivables, other payables and related party amounts

The Group's inventories increased from approximately RMB901.7 million as at 31 December 2019 to approximately RMB1,023.8 million for 1H2020. Affected by the pandemic, the progress of projects has slowed down, coupled with the poor sales and temporary stacking of previously-accumulated inventories, resulted in an increase in inventory scale as compared with the beginning of the period. With the improving situation of the prevention and control of the pandemic, and the continuous implementation of the projects, the "stacking" of inventories would be gradually alleviated. The inventory turnover days increased from approximately 229 days for 1H2019 to approximately 277 days for 1H2020. This increase in turnover days was mainly due to the temporary increase in inventory scale.

The Group's trade and other receivables decreased from approximately RMB1,342.3 million as at 31 December 2019 to approximately RMB1,303.3 million as at 30 June 2020. The average trade receivables turnover days increased from 295 days for the corresponding period last year to 312 days for the period. The increase in the receivables turnover days was due to the fact that both project settlement during the pandemic and payment collection saw a decline as compared with the corresponding period last year.

The Group's trade and other payables amounted to approximately RMB1,557.0 million as at 30 June 2020, representing a decrease of approximately 9.6% as compared with approximately RMB1,723.1 million as at 31 December 2019. The Group's average trade payables turnover days increased from approximately 415 days for 1H2019 to approximately 490 days for 1H2020. Affected by COVID-19, project payments have slowed down, resulting in an increase in the average trade payables turnover days as compared to the corresponding period last year.

## Management Discussion and Analysis (Continued)

### Liquidity and financial resources

During the period, the Group financed its operations primarily through cash flow from operations and cash balance on hand. As at 30 June 2020, the Group had approximately RMB262.7 million in cash and cash equivalents, which accounted for 9.4% of the Group's net assets (31 December 2019: cash and cash equivalents of approximately RMB657.8 million).

As at 30 June 2020, the Group's indebtedness comprised short-term bank loans of approximately RMB161.3 million with an average annual interest rate of 4.9%. It is the result of the Group's financial planning based on the financial costs in the market and normal working capital required.

As at 30 June 2020, the Group's debts were primarily bank loans denominated in RMB. Cash and cash equivalents were primarily bank deposits and cash on hand denominated in RMB, USD, HKD, MOP and SGD, and deposits that are readily convertible into known amounts of cash.

As at 30 June 2020, the net cash of the Group was approximately RMB101.5 million (31 December 2019: net cash of approximately RMB400.7 million). Gearing ratio, defined as loans and borrowings divided by total assets, was approximately 3.5% (31 December 2019: approximately 5.2%).

### Pledge of assets

As at 30 June 2020, the Group had no pledge of assets.

### Contingent liabilities

As at 30 June 2020, the Group did not have any material contingent liabilities.

### Off-balance sheet arrangements

The Group did not have any special purpose entities that provided financing, liquidity, market risk or credit support to it or were engaged in leasing, hedging or provision of research and development services with it. The Group did not enter into any derivative contracts that were indexed to the shareholders of the Group (the "Shareholders") and classified as Shareholders' equity, or that were not reflected in its financial statements. Moreover, the Group did not have any retained or contingent interest in such assets that were transferred to unconsolidated entities to provide credit, liquidity or market risk support for such entities.

### Employees, training and development

As at 30 June 2020, the Group had a total of 880 employees compared to 885 employees as at 30 June 2019. Total staff costs for 1H2020 was approximately RMB103.0 million, which was basically unchanged as compared with 1H2019 of approximately RMB102.7 million.

As a matter of policy, the Group remunerates its employees based on their performance, experience and prevailing industry practices, with all compensation policies and packages reviewed on a regular basis.

The Group provides regular training for its employees to keep them abreast of the Group's products, technology developments and the market conditions of its industry. The Group also offers additional training for frontline sales staff regarding each new product launch, so as to help them deliver more effective sales and promotion. In addition, the Group's senior management also attends conferences and exhibitions to broaden their knowledge of the industry.

### Material acquisitions and disposals

For the six months ended 30 June 2020, the Group had no material acquisition or disposal of subsidiaries or associates.

### Significant investments

For the six months ended 30 June 2020, the Group had no significant investment.

# CORPORATE GOVERNANCE AND OTHER INFORMATION

## CORPORATE GOVERNANCE CODE

Throughout the six months ended 30 June 2020, the Company complied with all code provisions and, where appropriate, adopted the recommended best practices as set out in the Corporate Governance Code in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

From 9 January 2020 to 25 March 2020, due to Mr. Huang Yu’s resignation as a non-executive director and a member of the remuneration committee (the “Remuneration Committee”) and the nomination committee (the “Nomination Committee”) of the Company, the number of members of the Remuneration Committee and Nomination Committee has fallen below the minimum number prescribed under the respective terms of reference of the Remuneration Committee and the Nomination Committee. The Company has appointed Mr. Qin Xuzhong as a member of the Remuneration Committee and the Nomination Committee with effect from 26 March 2020, following which the number of members of the Remuneration Committee and the Nomination Committee has respectively been restored to three in compliance with the relevant terms of reference.

## MODEL CODE FOR SECURITIES TRANSACTIONS OF DIRECTORS OF LISTED ISSUERS (“MODEL CODE”)

The Company has also adopted the Model Code set out in Appendix 10 of the Listing Rules throughout the six months ended 30 June 2020 as its code of conduct regarding securities transactions by the Directors. Having made specific enquiry with all Directors of the Company, all Directors confirmed that they have complied with the required standard set out in the Model Code and its code of conduct regarding directors’ securities transactions throughout the six months ended 30 June 2020.

## REVIEW OF INTERIM FINANCIAL STATEMENTS

The Directors confirm that disclosure of financial information in this interim report complies with Appendix 16 of the Listing Rules. The audit committee of the Company has held meetings to discuss the internal controls and financial reporting matters of the Company, including the review of the interim results and the unaudited consolidated interim financial statements for the six months ended 30 June 2020. The interim financial report is unaudited.

The external auditor has reviewed the interim financial information for the six months ended 30 June 2020 in accordance with Hong Kong Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants.

## PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S LISTED SECURITIES

During the six months ended 30 June 2020, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company’s listed securities.

## DIVIDENDS

The Board has not recommended the payment of any interim dividend for the six months ended 30 June 2020.

## Corporate Governance and Other Information (Continued)

## CHANGE IN INFORMATION OF DIRECTOR

The following are changes in the information of Mr. Wang Yinghu, a non-executive Director of the Company, which are required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules:

Mr. Wang was transferred away from his position as the Director of Financial Management (財務管理總監) of the funding and finance center of Tsinghua Holdings Co., Ltd. (清華控股有限公司) on 23 June 2020. He was appointed as the Joint Chief Financial Officer (聯席財務總監) and General Manager of the financial management center (財務管理中心總經理) of Tsinghua Unigroup Co., Ltd (紫光集團有限公司) on 24 June 2020.

## DISCLOSURE OF INTERESTS

**Directors' and chief executive's interests and short positions in shares, underlying shares and debentures**

As at 30 June 2020, the Directors and the chief executive of the Company and their respective associates had the following interests or short positions in the Shares, underlying Shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) (the "SFO")) which have been notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Division 7 and 8 of Part XV of the SFO, including interests and short positions which the Directors and the chief executive of the Company are taken and deemed to have under such provisions of the SFO, or which are required to be and are recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code:

**Long positions in the Company**

Name of Director/ Chief executive	Capacity/Nature of interest	Number of Shares interested	Approximate percentage of interest in the issued share capital of the Company
Mr. Zhao Xiaobo	Beneficial owner	8,728,000	1.12%

Save as disclosed above, as at 30 June 2020, none of the Directors or the chief executive of the Company had or was deemed to have any interests or short position in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), which had been recorded in the register maintained by the Company pursuant to section 352 of the SFO or which had been notified to the Company and the Stock Exchange pursuant to the Model Code.

During the six months ended 30 June 2020, at no time was the Company, its holding company, or any of its subsidiaries a party to any arrangements to enable the Directors and the chief executive of the Company (including their spouse and children under 18 years of age) to hold any interest or short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO).

## Corporate Governance and Other Information (Continued)

**Substantial shareholders' interests and short positions in shares and underlying shares**

So far as is known to any Director or chief executive of the Company, as at 30 June 2020, the persons or corporations (other than the Directors or chief executive of the Company) who had interest or short positions in the Shares and underlying Shares of the Company which were required to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept under section 336 of the SFO were as follows:

Name of shareholders	Capacity/Nature of interest	Number of Shares interested	Approximate percentage of interest in the issued share capital of the Company
Tsinghua Tongfang Co., Ltd (同方股份有限公司)	Beneficial owner	92,000,000	11.76%
	Interest in a controlled corporation	194,330,142	24.84%
Resuccess Investments Limited	Beneficial owner	194,330,142	24.84%

Note: Tsinghua Tongfang Co., Ltd (同方股份有限公司) is the sole shareholder of Resuccess Investments Limited and hence is deemed to be interested in all the Shares held by Resuccess Investments Limited.

Save as disclosed above, as at 30 June 2020, the Directors and the chief executive of the Company are not aware of any other person or corporation having an interest or short position in the Shares and underlying Shares of the Company which would require to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

**SHARE OPTION SCHEMES****Share Option Scheme**

The shareholders of the Company have approved and the Company has adopted a new share option scheme ("Share Option Scheme") on 18 May 2012 ("Adoption Date") to grant options to Eligible Persons.

Pursuant to an ordinary resolution adopted in general meeting by the shareholders of the Company on 14 July 2014, the maximum number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other schemes of the Group shall not in aggregate exceed 10% of the Shares in issue as at 14 July 2014, being the date of the extraordinary general meeting at which the said ordinary resolution was adopted, i.e. 52,152,000 Shares. No option may be granted to any participant of the Share Option Scheme such that the total number of Shares issued and to be issued upon exercise of the options granted and to be granted to that person in any 12-month period up to the date of the latest grant exceeds 1% of the Company's shares in issue from time to time.

## Corporate Governance and Other Information (Continued)

The Board may, at its absolute discretion, offer options to subscribe for such number of Shares in accordance with the terms set out in the Share Option Scheme to the Eligible Persons. “Eligible Person(s)” means (a) any executive director of, manager of, or other employee holding an executive, managerial, supervisory or similar position in any member of the Group (collectively, the “Executives”), any full-time or part-time employee, or a person for the time being seconded to work full-time or part-time for any member of the Group, or of an Eligible Entity; (b) a director or proposed director (including an independent non-executive director) of any member of the Group or of an Eligible Entity; (c) direct or indirect shareholder of any member of the Group; (d) a supplier of goods or services to any member of the Group or of an Eligible Entity; (e) a customer, consultant, business or joint venture partner, franchisee, contractor, agent or representative of any member of the Group or of an Eligible Entity; (f) person or entity that provides design, research, development or other support or any advisory, consultancy, professional or other services to any member of the Group or of an Eligible Entity; and (g) an associate of any of the persons referred to in paragraphs (a) to (f) above. “Eligible Entity” means any substantial shareholders or holding companies (as defined in the Companies Ordinance) of the Company and any of their respective subsidiaries, and any entity (including associated company) in which any substantial shareholders or holding companies of the Company or any of their respective subsidiaries holds any equity interest.

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period as determined by the Board and not exceeding 10 years from the date of the grant. There is no minimum period for which an option must be held before it can be exercised. Participants of the Share Option Scheme are required to pay the Company HK\$1.0 upon acceptance of the grant on or before 28 days after the offer date. The exercise price of the options is determined by the Board in its absolute discretion and shall not be less than whichever is the highest of:

- (a) the closing price of a Share as stated in the Stock Exchange’s daily quotations sheets on the offer date; and
- (b) the average closing price of a Share as stated in the Stock Exchange’s daily quotation sheets for the five business days immediately preceding the offer date.

The Share Option Scheme shall be valid and effective for a period of 10 years from the date of adoption of the Share Option Scheme by the shareholders of the Company, 18 May 2012, after which no further options will be granted or offered.

As at 30 June 2020, there are no outstanding options under the Share Option Scheme. No option was granted under the Share Option Scheme during the six months ended 30 June 2020, and no options granted under the Share Option Scheme had lapsed during the six months ended 30 June 2020.

# INDEPENDENT REVIEW REPORT

## Review report to the board of directors of Technovator International Limited

*(Incorporated in Singapore with limited liability)*

### INTRODUCTION

We have reviewed the interim financial report set out on pages 16 to 32 which comprises the consolidated statement of financial position of Technovator International Limited as of 30 June 2020 and the related consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and condensed consolidated cash flow statement for the six-month period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants. The directors are responsible for the preparation and presentation of the interim financial report in accordance with Hong Kong Accounting Standard 34.

Our responsibility is to form a conclusion, based on our review, on the interim financial report and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

### SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the Hong Kong Institute of Certified Public Accountants. A review of the interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at 30 June 2020 is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34, *Interim financial reporting*.

#### **KPMG**

*Certified Public Accountants*  
8th Floor, Prince's Building  
10 Chater Road  
Central, Hong Kong

24 August 2020

## CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2020 – unaudited  
(Expressed in Renminbi (“RMB”))

	Note	Six months ended 30 June	
		2020 RMB'000	2019 RMB'000
Revenue	3, 4	624,840	665,883
Cost of sales		(481,196)	(513,641)
<b>Gross profit</b>		<b>143,644</b>	152,242
Other revenue		23,794	27,205
Other net (loss)/gain		(659)	970
Selling and distribution costs		(47,801)	(46,647)
Administrative and other operating expenses		(97,422)	(87,441)
Share of (loss)/gain of associates		(18)	1,000
<b>Profit from operations</b>		<b>21,538</b>	47,329
Finance costs	5(a)	(8,121)	(6,857)
<b>Profit before taxation</b>		<b>13,417</b>	40,472
Income tax	6	(1,638)	(2,365)
<b>Profit for the period</b>		<b>11,779</b>	38,107
<b>Profit attributable to:</b>			
Equity shareholders of the Company		12,791	38,703
Non-controlling interests		(1,012)	(596)
<b>Profit for the period</b>		<b>11,779</b>	38,107
<b>Earnings per share</b>	7		
– Basic (RMB)		0.0164	0.0495
– Diluted (RMB)		0.0164	0.0495

The accompanying notes form part of this interim financial report.

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2020 – unaudited  
(Expressed in Renminbi (“RMB”))

	Six months ended 30 June	
	2020 RMB'000	2019 RMB'000
<b>Profit for the period</b>	<b>11,779</b>	38,107
<b>Other comprehensive income for the period</b>		
<i>Item that may be reclassified subsequently to profit or loss:</i>		
Exchange differences on translation of financial statements of overseas subsidiaries, net of nil tax	<b>1,416</b>	158
<b>Total comprehensive income for the period</b>	<b>13,195</b>	38,265
<b>Attributable to:</b>		
Equity shareholders of the Company	<b>14,174</b>	38,859
Non-controlling interests	<b>(979)</b>	(594)
<b>Total comprehensive income for the period</b>	<b>13,195</b>	38,265

The accompanying notes form part of this interim financial report.

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2020 – unaudited  
(Expressed in Renminbi (“RMB”))

	Note	At 30 June 2020 RMB'000	At 31 December 2019 RMB'000
<b>Non-current assets</b>			
Property, plant and equipment	8	264,426	256,954
Interests in associates		3,366	3,384
Intangible assets		329,757	311,321
Other financial assets	9	558,485	524,146
Deferred tax assets		31,635	24,134
		<b>1,187,669</b>	1,119,939
<b>Current assets</b>			
Inventories		1,023,791	901,725
Contract assets		868,138	905,752
Trade and other receivables	10	1,303,284	1,342,333
Cash and cash equivalents	11	262,727	657,759
		<b>3,457,940</b>	3,807,569
<b>Current liabilities</b>			
Trade and other payables	12	1,556,986	1,723,068
Contract liabilities		71,002	88,905
Loans and borrowings		161,260	257,098
Lease liabilities		1,565	2,610
Income tax payable		31,631	44,831
		<b>1,822,444</b>	2,116,512
<b>Net current assets</b>		<b>1,635,496</b>	1,691,057
<b>Total assets less current liabilities</b>		<b>2,823,165</b>	2,810,996

The accompanying notes form part of this interim financial report.

## Consolidated Statement of Financial Position (Continued)

At 30 June 2020 – unaudited  
(Expressed in Renminbi (“RMB”))

	Note	At 30 June 2020 RMB'000	At 31 December 2019 RMB'000
<b>Non-current liabilities</b>			
Lease liabilities		2,135	–
Deferred tax liabilities		29,863	28,474
Deferred income		9,630	10,003
Other non-current liabilities		49	57
		<b>41,677</b>	38,534
<b>NET ASSETS</b>			
		<b>2,781,488</b>	2,772,462
<b>CAPITAL AND RESERVES</b>			
Share capital	13	1,189,968	1,189,968
Reserves		1,576,722	1,562,548
<b>Total equity attributable to equity shareholders of the Company</b>		<b>2,766,690</b>	2,752,516
<b>Non-controlling interests</b>		<b>14,798</b>	19,946
<b>TOTAL EQUITY</b>		<b>2,781,488</b>	2,772,462

Approved and authorised for issue by the board of directors on 24 August 2020.

Zhao Xiaobo  
Qin Xuzhong

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Directors

The accompanying notes form part of this interim financial report.

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2020 – unaudited  
(Expressed in Renminbi (“RMB”))

	Attributable to equity shareholders of the Company							Non-controlling interests	Total equity
	Share capital	Statutory reserves	Translation reserve	Share-based compensation reserve	Other reserves	Retained profits	Total		
	RMB'000 Note 13(a)	RMB'000	RMB'000	RMB'000	RMB'000 Note 13(b)	RMB'000	RMB'000		
<b>Balance at 1 January 2019</b>	1,189,968	146,297	45,778	9,079	(537,048)	1,783,978	2,638,052	19,364	2,657,416
Profit for the period	-	-	-	-	-	38,703	38,703	(596)	38,107
Other comprehensive income	-	-	156	-	-	-	156	2	158
Total comprehensive income for the period	-	-	156	-	-	38,703	38,859	(594)	38,265
<b>Balance at 30 June 2019</b>	1,189,968	146,297	45,934	9,079	(537,048)	1,822,681	2,676,911	18,770	2,695,681

	Attributable to equity shareholders of the Company							Non-controlling interests	Total equity
	Share capital	Statutory reserves	Translation reserve	Share-based compensation reserve	Other reserves	Retained profits	Total		
	RMB'000 Note 13(a)	RMB'000	RMB'000	RMB'000	RMB'000 Note 13(b)	RMB'000	RMB'000		
<b>Balance at 1 January 2020</b>	1,189,968	158,889	47,376	-	(537,048)	1,893,331	2,752,516	19,946	2,772,462
Profit for the period	-	-	-	-	-	12,791	12,791	(1,012)	11,779
Other comprehensive income	-	-	1,383	-	-	-	1,383	33	1,416
Total comprehensive income for the period	-	-	1,383	-	-	12,791	14,174	(979)	13,195
De-registration of subsidiaries	-	-	-	-	-	-	-	(4,169)	(4,169)
<b>Balance at 30 June 2020</b>	1,189,968	158,889	48,759	-	(537,048)	1,906,122	2,766,690	14,798	2,781,488

The accompanying notes form part of this interim financial report.

## CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2020 – unaudited  
(Expressed in Renminbi (“RMB”))

	Note	Six months ended 30 June	
		2020 RMB'000	2019 RMB'000
<b>Operating activities</b>			
Cash used in operations		(223,458)	(392,971)
Income tax paid		(24,179)	(14,938)
<b>Net cash used in operating activities</b>		<b>(247,637)</b>	(407,909)
<b>Net cash used in investing activities</b>		<b>(36,619)</b>	(45,818)
<b>Financing activities</b>			
Distribution to non-controlling shareholders upon de-registration of subsidiaries		(4,169)	–
Proceeds from loans and borrowings		109,436	195,275
Repayment of loans and borrowings		(205,274)	(154,684)
Other cash flows arising from financing activities		(12,951)	(1,783)
<b>Net cash (used in)/generated from financing activities</b>		<b>(112,958)</b>	38,808
<b>Net decrease in cash and cash equivalents</b>		<b>(397,214)</b>	(414,919)
<b>Cash and cash equivalents at 1 January</b>		<b>610,143</b>	671,405
<b>Effect of foreign exchange rates changes</b>		<b>205</b>	363
<b>Cash and cash equivalents at 30 June</b>	11	<b>213,134</b>	256,849

The accompanying notes form part of this interim financial report.

# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in RMB unless otherwise indicated)

## 1 BASIS OF PREPARATION

This interim financial report of Technovator International Limited (the “Company”) and its subsidiaries (hereinafter collectively referred to as the “Group”) has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with Hong Kong Accounting Standard (“HKAS”) 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). It was authorised for issue on 24 August 2020.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2019 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2020 annual financial statements. Details of any changes in accounting policies are set out in note 2.

The preparation of an interim financial report in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2019 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

The interim financial report is unaudited, but has been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the HKICPA. KPMG’s independent review report to the Board of Directors is included in the interim financial report.

## 2 CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued the following amendments to HKFRSs that are first effective for the current accounting period of the Group:

- Amendments to HKFRS 3, *Definition of a Business*
- Amendments to HKFRS 9, HKAS 39 and HKFRS 7, *Interest Rate Benchmark Reform*
- Amendments to HKAS 1 and HKAS 8, *Definition of Material*

None of these developments have had a material effect on how the Group’s results and financial position for the current or prior periods have been prepared or presented in this interim financial report. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

## Notes to the Unaudited Interim Financial Report (Continued)

(Expressed in RMB unless otherwise indicated)

### 3 REVENUE

The Group are principally engaged in integrated and comprehensive urban smart energy saving services. Its business covers three major segments including smart transportation, smart building and complex and smart energy, providing the customers with smart energy management products, solutions and integrated services throughout their full life cycles.

#### Disaggregation of revenue

Disaggregation of revenue from contracts with customers by service lines is as follows:

	Six months ended 30 June	
	2020 RMB'000	2019 RMB'000
Revenue from smart transportation business	194,361	230,643
Revenue from smart building and complex business	328,037	279,881
Revenue from smart energy business	102,442	155,359
	<b>624,840</b>	665,883

### 4 SEGMENT REPORTING

The Group manages its businesses by divisions. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has presented the following three reportable segments. No operating segments have been aggregated to form the following reportable segments:

Smart transportation business ("STB"): It comprises a series of proprietary software and hardware products and systems for rail transit such as Integrated Supervision and Control System (ISCS), Building Automation System (BAS) for rail transit and safety door system, providing integrated solutions with full life cycles ranging from planning, procurement, installation and commissioning to aftersales service.

Smart building and complex business ("SBB"): It provides integrated intelligence solutions and efficiency management services, namely integrated energy consumption monitoring, energy-saving consultation and reformation services and integration and product supply of intelligence system for buildings, aimed at different building and complex and rendering full life-cycle services of which reduces energy consumption and operating costs of buildings.

Smart energy business ("SEB"): It comprised a series of leading technologies such as regional energy planning, integrated utilization of industrial waste heat recovery technology, heat pump technology, independent temperature and humidity control technology and variable air rate technology applied in the energy cascade utilization as well as optimization and transformation of energy system. The Group possess self-owned core leading technologies (in the field of urban heating network) such as heating network & heating source monitoring and optimal regulation, distributed variable frequency heating technology, cooling and heating network balancing technology, combined multi-heat sources heating technology.

## Notes to the Unaudited Interim Financial Report (Continued)

(Expressed in RMB unless otherwise indicated)

## 4 SEGMENT REPORTING (CONTINUED)

### (a) Information about reportable segments

For the purposes of assessing segment performance and allocating resources between segments, the Group's senior executive management monitors the results attributable to each reportable segment on the following bases:

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments. However, other than reporting inter-segment sales of products, assistance provided by one segment to another, including sharing of assets and technical know-how, is not measured.

The measure used for reporting segment results is profit or loss before income tax adjusted for items not specifically attributed to individual segments, such as finance cost, depreciation and amortization, and certain unallocated head office and corporate expenses/(gains). Segment profit or loss is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries.

In addition to receiving segment information concerning segment results, management is provided with segment information concerning revenue (including inter-segment sales), interest income, and impairment losses. Inter-segment pricing is determined on a consistent basis using market benchmarks.

Segment assets and liabilities are not regularly reported to the Group's senior executive management and therefore information of reportable segment assets and liabilities are not presented in the consolidated financial statements.

## Notes to the Unaudited Interim Financial Report (Continued)

(Expressed in RMB unless otherwise indicated)

## 4 SEGMENT REPORTING (CONTINUED)

## (a) Information about reportable segments (Continued)

Disaggregation of revenue from contracts with customers by timing of revenue recognition, as well as information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the six months ended 30 June 2020 and 2019 are set out below:

For the six months ended	STB		SBB		SEB		Total	
	2020 RMB'000	2019 RMB'000	2020 RMB'000	2019 RMB'000	2020 RMB'000	2019 RMB'000	2020 RMB'000	2019 RMB'000
<b>Disaggregated by timing of revenue recognition</b>								
Point in time	2,364	788	48,597	36,065	33,721	35,168	84,682	72,021
Over time	191,997	229,855	279,440	243,816	68,721	120,191	540,158	593,862
<b>Revenue from external customers</b>	<b>194,361</b>	<b>230,643</b>	<b>328,037</b>	<b>279,881</b>	<b>102,442</b>	<b>155,359</b>	<b>624,840</b>	<b>665,883</b>
Inter-segment revenue	-	-	-	-	-	-	-	-
<b>Reportable segment revenue</b>	<b>194,361</b>	<b>230,643</b>	<b>328,037</b>	<b>279,881</b>	<b>102,442</b>	<b>155,359</b>	<b>624,840</b>	<b>665,883</b>
<b>Reportable segment profit</b>	<b>26,488</b>	<b>33,853</b>	<b>23,861</b>	<b>30,221</b>	<b>23,966</b>	<b>45,050</b>	<b>74,315</b>	<b>109,124</b>
Interest income	2,914	2,112	4,092	5,256	11,198	12,061	18,204	19,429
Impairment losses	(11,657)	(8,225)	(14,710)	(9,980)	(10,869)	(5,540)	(37,236)	(23,745)

## (b) Reconciliations of reportable segment profit or loss

	Six months ended 30 June	
	2020 RMB'000	2019 RMB'000
<b>Profit</b>		
Reportable segment profit	74,315	109,124
Depreciation and amortisation	(44,692)	(53,424)
Finance costs	(8,121)	(6,857)
Unallocated head office and corporate expenses	(8,085)	(8,371)
<b>Consolidated profit before taxation</b>	<b>13,417</b>	<b>40,472</b>

## (c) Geographic information

As the Group does not have material operations outside the PRC, no geographic segment information is presented.

## Notes to the Unaudited Interim Financial Report (Continued)

(Expressed in RMB unless otherwise indicated)

## 5 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging/(crediting):

<b>Six months ended 30 June</b>		
	<b>2020</b>	2019
	<b>RMB'000</b>	RMB'000
<b>(a) Finance costs</b>		
Interest on loans and borrowings	<b>8,020</b>	6,719
Interest on lease liabilities	<b>101</b>	138
	<b>8,121</b>	6,857

<b>Six months ended 30 June</b>		
	<b>2020</b>	2019
	<b>RMB'000</b>	RMB'000
<b>(b) Other items</b>		
Amortisation	<b>29,141</b>	31,360
Depreciation		
– owned property, plant and equipment	<b>12,720</b>	19,605
– right-of-use assets	<b>2,831</b>	2,514
Impairment losses		
– trade and other receivables and contract assets	<b>37,236</b>	23,745
Interest income	<b>(18,204)</b>	(19,429)

## Notes to the Unaudited Interim Financial Report (Continued)

(Expressed in RMB unless otherwise indicated)

## 6 INCOME TAX

Income tax in the consolidated income statement represents:

	Six months ended 30 June	
	2020 RMB'000	2019 RMB'000
Current tax	7,750	4,087
Deferred tax	(6,112)	(1,722)
	<b>1,638</b>	2,365

Notes:

- (i) The Company is subject to Singapore corporate income tax at 17% for the six months ended 30 June 2020 and 2019. No provision for Singapore income tax was made because the Company sustained tax losses for the period.
- (ii) The subsidiaries of the Group established in the PRC are subject to PRC Corporate Income Tax rate of 25%.
- The subsidiary of the Group established in the Cayman Islands is not subject to any income tax pursuant to the rules and regulations of the Cayman Islands.
- The subsidiary of the Group incorporated in Hong Kong is subject to Hong Kong Profits Tax rate of 16.5% for the six months ended 30 June 2020 and 2019.
- (iii) Tongfang Technovator Int (Beijing) Co., Ltd. ("Technovator Beijing") is recognised as a high and new technology enterprise and is eligible to enjoy a preferential tax rate of 15% until December 2020.
- Tongfang Energy Saving Engineering Technology Co., Ltd. ("Tongfang Energy Saving") is recognised as a high and new technology enterprise and is eligible to enjoy a preferential tax rate of 15% until December 2022.

## 7 EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share is based on the following data:

### (a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of RMB12,791,000 (six months ended 30 June 2019: RMB38,703,000) and the weighted average of 782,192,189 ordinary shares (2019: 782,192,189 shares) in issue during the interim period.

### (b) Diluted earnings per share

The calculation of diluted earnings per share is based on the profit attributable to equity shareholders of the Company of RMB12,791,000 (six months ended 30 June 2019: RMB38,703,000) and the weighted average number of ordinary shares of 782,192,189 (2019: 782,192,189 shares).

## Notes to the Unaudited Interim Financial Report (Continued)

(Expressed in RMB unless otherwise indicated)

**8 PROPERTY, PLANT AND EQUIPMENT****(a) Right-of-use assets**

During the six months ended 30 June 2020, the Group entered into a lease agreement for use of properties, and therefore recognised the addition to right-of-use assets of RMB3,922,000.

**(b) Acquisitions**

During the six months ended 30 June 2020, the Group acquired certain items of property, plant and equipment with costs of RMB23,554,000 (six months ended 30 June 2019: RMB9,757,000).

**9 OTHER FINANCIAL ASSETS**

As at 30 June 2020, the balance of other financial assets mainly represents long-term trade receivables of certain construction projects which are repayable by instalments over a 2 to 9 years period.

**10 TRADE AND OTHER RECEIVABLES**

Included in trade and other receivables are trade debtors and bills receivable (net of allowance of doubtful debts) with the following ageing analysis as of the end of the reporting period:

	At 30 June 2020 RMB'000	At 31 December 2019 RMB'000
Current	<b>986,206</b>	993,640
Less than 1 month past due	<b>6,965</b>	28
More than 1 month but less than 3 months past due	<b>736</b>	4,219
More than 3 months but less than 12 months past due	<b>3,459</b>	25,682
More than 12 months past due	<b>21,356</b>	46,927
Trade debtors and bills receivable, net of allowance for doubtful debts	<b>1,018,722</b>	1,070,496
Other receivables	<b>146,017</b>	140,615
Financial assets measured at amortised cost	<b>1,164,739</b>	1,211,111
Deposits and prepayments	<b>138,545</b>	131,222
	<b>1,303,284</b>	1,342,333

Trade debtors and bills receivable are due within 1–180 days from the date of billing.

## Notes to the Unaudited Interim Financial Report (Continued)

(Expressed in RMB unless otherwise indicated)

## 11 CASH AND CASH EQUIVALENTS

	At 30 June 2020 RMB'000	At 31 December 2019 RMB'000
Deposits with banks and other financial institutions	49,593	47,616
Cash at bank and in hand	213,134	610,143
Cash and cash equivalents in the consolidated statement of financial position	262,727	657,759
Restricted deposit	(49,593)	(47,616)
Cash and cash equivalents in the consolidated cash flow statements	213,134	610,143

## 12 TRADE AND OTHER PAYABLES

As of the end of the reporting period, the ageing analysis of trade creditors and bills payables (which are included in trade and other payables), based on the invoice date, is as follows:

	At 30 June 2020 RMB'000	At 31 December 2019 RMB'000
<b>By date of invoice:</b>		
Within 3 months	882,950	1,080,668
More than 3 months but within 6 months	133,745	61,982
More than 6 months but within 12 months	67,124	78,997
More than 12 months	272,167	300,118
Total creditors and bills payable	1,355,986	1,521,765
Other payables and accruals	201,000	201,303
	1,556,986	1,723,068

## Notes to the Unaudited Interim Financial Report (Continued)

(Expressed in RMB unless otherwise indicated)

## 13 CAPITAL, RESERVES AND DIVIDENDS

## (a) Share capital

	At 30 June 2020		At 31 December 2019	
	Number of shares	Amounts RMB'000	Number of shares	Amounts RMB'000
<b>Ordinary shares, issued and fully paid:</b>				
At 1 January	782,192,189	1,189,968	782,192,189	1,189,968
Share repurchased and cancelled	–	–	–	–
At 30 June/31 December	782,192,189	1,189,968	782,192,189	1,189,968

## (b) Other reserves

Other reserves are resulted from transactions with equity holders in their capacity as equity holders. The balance comprises capital reserve movements arising from difference between fair value of consideration paid and the net assets acquired in a business combination under common control or the amount by which the non-controlling interests are adjusted to reflect the changes in its interests in the subsidiary.

## (c) Dividends

The Company has not declared interim dividend attributable to the six months ended 30 June 2020 and 2019.

## 14 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

The carrying amounts of the Group's financial instruments carried at cost or amortised cost were not materially different from their fair values as at 30 June 2020 and 31 December 2019.

## 15 COMMITMENTS

**Capital commitments outstanding not provided for in the financial statements were as follows:**

	At 30 June 2020 RMB'000	At 31 December 2019 RMB'000
Contracted for	54,509	112,700

## Notes to the Unaudited Interim Financial Report (Continued)

(Expressed in RMB unless otherwise indicated)

## 16 MATERIAL RELATED PARTY TRANSACTIONS

**(a) Name and relationship with related parties**

During the period, transactions with the following parties are considered as major related party transactions:

**Name of parties**

Tsinghua Tongfang Co., Ltd. (「THTF」) \* (同方股份有限公司)

Tsinghua Tongfang Artificial Environment Co., Ltd.\* (「Tongfang Artificial」) (同方人工環境有限公司)

Liaoning Tongfang Security Technology Co., Ltd.\* (遼寧同方安全技術有限公司)

Beijing Tongfang Property Management Co., Ltd.\* (北京同方物業管理有限公司)

Tongfang Technology Park Co., Ltd.\* (同方科技園有限公司)

Guangdong Tongfang Lighting Co., Ltd.\* (廣東同方照明有限公司)

Wuxi Tongfang Artificial Environment Co., Ltd.\* (無錫同方人工環境有限公司)

Tongfang R.I.A. Co., Ltd.\* (同方銳安科技有限公司)

Biyang Tongfang Thermal Power Co., Ltd.\* (泌陽同方熱力有限公司)

\* The official name of these entities is in Chinese. The English translation of the name is for reference only.

THTF is the controlling shareholder of the Company, incorporated in the PRC and produces financial statements available for public use. Other related parties listed above are subsidiaries of THTF.

## Notes to the Unaudited Interim Financial Report (Continued)

(Expressed in RMB unless otherwise indicated)

**16 MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)****(b) Significant related party transactions**

Particulars of significant related party transactions during the six months ended 30 June 2020 and 2019 are as follows:

	2020 RMB'000	2019 RMB'000
Sales to THTF and its subsidiaries	53,977	17,054
Purchases from THTF and its subsidiaries	14,786	14,925
Payments for miscellaneous products and services from THTF and its subsidiaries	15,945	13,340
Interest expenses to THTF and Tongfang Artificial	–	983
Repayment of borrowings from Tongfang Artificial	–	69,512
Payments transferred by THTF to the Group	445,971	335,632
Payments transferred by the Group to THTF	382,437	488,855

Other than the above related party transactions, certain trademarks are used by the Group in the PRC licensed by THTF at nil consideration.

**(c) Transactions with other state-controlled entities in the PRC**

The controlling shareholder of the Company, THTF, is a state-controlled enterprise controlled by the PRC government. Apart from transactions with THTF and its subsidiaries and associate which were disclosed in note 16(a) above, the Group also has transactions with other state-controlled entities, included but not limited to the following:

- sales of products and provision of services;
- purchase of materials; and
- bank deposits and borrowings.